

State Dept. Defense of Arms Loans Released

By George C. Wilson
Washington Post Staff Writer

The Johnson Administration released secret Congressional testimony yesterday to defend its policy of using the Export-Import Bank to finance the sale of American arms abroad. The move represented the administration's first public defense of the bank's arms sales and came amidst new Congressional demands for disclosure about secret loans.

Robert J. McCloskey, State Department press officer, handed reporters the testimony of Eugene V. Rostow, Under Secretary of State for Political Affairs, had given yesterday in a closed meeting of the House Banking and Currency Committee.

Showing the Export-Import Bank to continue lending

foreign nations money for American arms "is fundamental" to U.S. foreign policy objectives, Rostow said. He said cutting off this authority, as some members of Congress are trying to do, "would be very serious," especially in the Middle East.

As for the whole U.S. arms sales program, Rostow said "we have no real alternative but to carry on" because of the arms policies of Russia and China.

He said "a large part of the burden of maintaining an equilibrium of power in the world has fallen on our shoulders." Supplying arms is part of that effort, he said.

"The level of Soviet and Chinese arms sales has put the world in an appalling dilemma," Rostow said. "If they are not countered,

aggression may occur. But if they are countered, an arms race may begin, absorbing resources those countries need desperately for development."

"We cannot manage this process single handed," Rostow continued, "so long as others refuse to cooperate. But we cannot wash our hands of the whole problem and leave arms supply in large part to the Soviet Union and Communist China."

Rostow said for the U.S. to refuse other nations arms "might make us feel more virtuous" but would "minimize" chances of the government controlling the world arms race.

"We pursue a fundamentally negative military sales policy," Rostow said, "especially for countries of the developing world. Our aim is not to sell arms; we do so

only when it is demonstrably in the overall U.S. national interest."

Then, in statements bound to be severely challenged in Congress, Rostow said arm sales by the U.S. could achieve these things: "dampening of arms escalation in an area; help restore confidence and thus maintain stability by correcting arms imbalances among neighboring states; foster and improve bilateral political relations by helping our friends maintain their nerve, their strength and their security."

Given these advantages of arms sales, Rostow said, it makes sense to use the "best qualified organ" to finance the purchase—the Export-Import Bank.

The Pentagon serves as a co-signer on loans the bank makes to foreign nations

which could not borrow money on their own.

There is no public record of what countries receive such Pentagon backing and how much money they get.

House Banking and Currency Committee members have complained they were not kept informed about the loans either.

Defense Secretary Robert S. McNamara—as part of the Administration's effort to beat back attempts to restrict the bank's arms financing—yesterday called on Rep. William B. Widnall of New Jersey, ranking Republican on the House banking committee.

Widnall said McNamara assured him the Pentagon had no intention of hiding the facts about the Export-Import Bank arms deals from the committee.

But McNamara's visit to

Widnall came just before Rep. Henry S. Reuss (D-Wis.) issued a two-page statement calling for "complete disclosure" of the bank's arms loans since 1962.

Reuss said the figures from the Pentagon which appeared in The Washington Post yesterday did show the full extent of Country X loans, declaring the Export-Import Bank "has become in large part a military armaments institution in the last two years."

Defense and Treasury arms officials met with Rostow at the State Department Wednesday night to map strategy on how to save the bank from crippling Congressional amendments once the bill to extend its life reaches the voting stage within the next few weeks.